

PUBLIC STATEMENT BEFORE THE  
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY INFORMATION  
FORUM REGARDING THE MICHIGAN QUALIFIED ALLOCATION PLAN

MAY 10<sup>TH</sup>, 2007

Good Afternoon. My name is Phillip Seybert. I would first like to thank the Michigan State Housing Development Authority (MSHDA) for convening this public forum and providing us the opportunity to voice our thoughts and concerns in regard to the Qualified Allocation Plan (QAP). As a for-profit developer I began developing affordable housing in 1986. Since that time I have been either, a sponsor, an owner, or a non-profit consultant, in the development of thirty-four (34) affordable housing properties in the Michigan. The bulk of those properties have been direct loan deals which we still own and operate today. These properties were developed under a variety of the Authority's loan programs, as well as, conventionally financed Low Income Housing Tax Credit (LIHTC) deals.

I would first like to reiterate one of Jim Logue's comments in the last public forum on this matter and that is "The LIHTC is the single most important tool we have as an industry to meet an ever growing demand for affordable housing in our state." I would hate to think where this industry would be today if we did not have this tool in the development of affordable housing.

I would also like to go on the record as one who believes that having two funding rounds during any given year is essential. Developing affordable housing today is paramount to juggling a half dozen balls all at once and as difficult as that may be, having only one funding round in a given year would make that task almost insurmountable. In

presenting a project for consideration, land control is most often, the single biggest issue that developers of affordable housing have to overcome. Currently it takes a minimum of a year (at least in my experience) to put in place the required approvals to achieve an application score high enough to be competitive in a funding round. If there are not at least two funding rounds per year, we would have to negotiate a two-year option from the land owner on the front end in order to have any hope of submitting a competitive application.

There may be some folks in attendance today that would disagree with what I am about to suggest, but I believe that because of the time it takes to process a deal, coupled with the Lottery itself, that the process attracts "secondary real estate." This idea was also recently suggested by Mr. Bernie Gliberman, Chair of MSHDA's Board of Directors. This problem would only be exacerbated by having only one funding round per year.

We should all endeavor to streamline this process because we know the LIHTC program generates economic activity leading to job creation, increased demand for local services, additional revenue to local schools through higher enrollment, and increased tax base for local communities.

I would like to also comment on two core principals that Mr. Logue spoke about at the last forum and those are Flexibility and Deep Targeting. In regards to flexibility and the effect of local market forces on the QAP, I have long believed in the free enterprise system and the value of competition. Competition is what drives the market and makes us all better owners and operators, as we must rise to the occasion or suffer the

consequences. Market forces should continue to be a guiding principle in determining the shape of the development process and any new modifications to the QAP.

Deep Targeting is currently and should remain a high priority goal for every affordable housing developer because that is where the greatest needs lie. The difficulty of course in meeting that goal is that the revenue generated must be greater than the expenses incurred and in today's markets of ever increasing expenses and decreasing rents, attaining that goal is becoming extremely difficult, if not impossible.

The other side of that coin is the need for a developer to earn a developer fee. I have stated before, and with no disrespect to my non-profit friends, I am a for-profit developer and proud of it. Profit is a noble motive, not one to be ashamed of, for without it, none of us would be here today. Due to the upfront investment of time, energy and money, with no guarantee of credit delivery, a developer takes on a huge risk in trying to bring a development to fruition. The imposition of additional targeting requirements without additional public resources to support such requirements, will only act as a deterrent to active involvement in the program. Developer fees should be viewed as an incentive and not as a resource.

Lastly, I would like to make a comment in regard to the "Affordable Assisted Living" proposal that the authority has initiated. I am fortunate to be involved with United Methodist Retirement Communities on one of the proposals that has been selected for further consideration. Developing an affordable assisted living facility is probably one of the biggest challenges I have faced in my 20 plus years in this industry.

There are two key ingredients that are paramount to our success in this endeavor. The first is an allocation of the 9% credit which will provide one of the requisite funding

sources needed to build a facility and the second ingredient is the Medicaid Waiver which will provide the requisite long-term operating stability needed to provide our residents with the services they will require. We have some ideas on how to resolve the Medicaid Waiver dilemma and would like an opportunity to sit down with staff in the near future to discuss them. But equally if not more important, we believe if this program is to succeed it is imperative, that a set aside for “affordable assisted living projects” be created in any revisions to the existing QAP. We would formally request that you give due consideration to creating such a set aside.

Thank you for the opportunity to comment today.